

## AGRICULTURAL SERVICES PROGRAM

(BO-0176)

### EXECUTIVE SUMMARY

<b>Borrower and guarantor:</b>	Republic of Bolivia	
<b>Executing agency:</b>	Ministry of Agriculture and Rural Development (MAGDR)	
<b>Amount and source:</b>	IDB (FSO):	US\$34 million
	Local contribution:	US\$10 million
	Total:	US\$44 million
<b>Financial terms and conditions:</b>	Amortization period:	40 years
	Grace period:	10 years
	Disbursement period:	5 years
	Interest rate:	1 % during the grace period and 2% for the next 30 years
	Inspection and supervision:	1%
	Credit fee:	0.5% a year on the undisbursed balance
<b>Objectives:</b>	The objective of the agricultural services program is to raise the income of Bolivian farmers through investments which, by strengthening technical services to generate and transfer technology and improving agricultural health practices, will boost the productive efficiency and the quality of the country's agrifood products.	
<b>Description:</b>	The program will support two subprograms: (i) technology generation and transfer; and (ii) agricultural health.	
	<ol style="list-style-type: none"> <li>1. <b>Technology generation and transfer subprogram (US\$18.5 million).</b> Includes funding for three components: <ol style="list-style-type: none"> <li>a. <b>Institutional development.</b> Will help to establish the new Bolivian agricultural technology system (SIBTA) by supporting: (i) the organization of its steering committee; (ii) the strengthening of MAGDR's Directorate General of Technology Development, which will act as the permanent secretariat of SIBTA; and (iii) the establishment and consolidation of four agricultural technology development</li> </ol> </li> </ol>	

foundations in the agroecological regions of the high plateau, the valleys, the humid tropics and El Chaco.

- b. **Genetic resource conservation.** Will help to conserve Bolivia's genetic heritage of priority native species that are highly valuable nutritionally, ecologically and economically, by maintaining active germplasm banks.
  - c. **Technology innovation projects in agriculture.** Will cofinance strategic and applied projects that respond to: (i) national technology development priorities; (ii) producers' demands; and (iii) shortcomings in the main agrifood chains.
2. **Agricultural health subprogram (US\$21.5 million).** Includes financing for four components:
- a. **Institutional development.** Will support the establishment of the **National** Agricultural Health and Food Safety Service (SENASAG) at the national and departmental levels, as Bolivia's agricultural health authority.
  - b. **Animal health.** Will improve the country's animal health by: (i) strengthening the animal quarantine system; (ii) stepping up epidemiological surveillance; (iii) improving diagnostic laboratories; (iv) supporting campaigns to combat foot-and-mouth disease and avian salmonellosis; and (v) responding to animal health emergencies.
  - c. **Plant health.** Will improve the country's plant health by: (i) strengthening the plant quarantine system; (ii) establishing an epiphytotic surveillance system; (iii) installing a diagnostic laboratory; and (iv) supporting health campaigns for the control of potato wilt and cotton boll weevils; and (v) responding to plant health emergencies.
  - d. **Food safety.** Will support establishment of a system to ensure food safety, guaranteeing its quality for human consumption and facilitating exports.

**The Bank's  
country and  
sector strategy:**

The proposed program is consistent with the Bank's country and sector strategy. It supports rural development and poverty alleviation through better technological and sanitary practices which will improve producers' incomes, create jobs, and make for more efficient and sustainable management of agricultural resources. The program will also support efforts to modernize the public agricultural sector by addressing shortcomings in technology development and agricultural health services that stand in the way of further development.

**Environmental and social review:**

The program will have positive social and environmental impacts: (i) the technology innovation projects will promote technologies that improve natural resources; (ii) the genetic resources component will help to maintain germplasm banks of native species; (iii) the agricultural health subprogram will help improve public health through programs to monitor animal and plant health; and (iv) the program as a whole will raise producers' incomes, thus helping to reduce rural poverty and bringing about a positive social impact.

The ESIR included a management and mitigation plan which has been included in the program's Operating Regulations.

**Benefits:**

The program is expected to produce the following benefits by 2007: (i) an increase of from 20% to 40% in net income at the farm level for beneficiary producers; (ii) increases in average productivity of from 25% to 50% for their main production lines; (iii) a reduction in annual production losses caused by pests and diseases of US\$15 million; and (iv) an increase in the sector's gross production value of US\$30 million.

**Risks:**

The foundations for agricultural technology development may encounter difficulties in attracting funds from outside sources to cover their operating costs and obtain income from an overhead charge to assure their financial sustainability. The commitments already obtained by the Bolivian government from bilateral agencies and the interest expressed by other donors and some departmental governments in supporting technology development in the sector through the foundations will reduce that risk.

**Special contractual clauses:**

1. Conditions precedent to the first disbursement: (i) evidence that the coordination unit has been legally established, its core staff has been appointed, and its financial and accounting control systems are operating (paragraph 3.3); (ii) presentation of the first annual plan of operations (paragraph 3.4); (iii) evidence that the decree implementing the SENASAG has entered into force (paragraph 3.1); and (iv) evidence that SENASAG has appointed its core staff and implemented its financial and accounting control systems (paragraph 3.1).
2. Conditions during program execution: (i) evidence that the foundations that will participate in the agricultural technology generation and transfer subprogram have been legally established, have access to supplementary sources of financing, and have signed an execution agreement with MAGDR (paragraph 3.1); (ii) presentation of annual reports on the use of each foundation's competitive funds (paragraph 3.34); (iii) presentation of annual plans of operations

(paragraph 3.33); and (iv) presentation of a mid-term progress report 24 months after program start-up or once 50% of the financing has been disbursed (paragraph 3.35).

**Conditions  
already fulfilled**

The executing agency has presented evidence to the Bank's satisfaction that it has fulfilled the following conditions: (i) creation of SIBTA under a Supreme Decree (paragraph 4.6); (ii) establishment of the first two foundations that will participate in the technology generation and transfer subprogram (paragraph 4.10); and (iii) adoption by Congress of the law establishing SENASAG (paragraph 3.1).

**Poverty-  
targeting and  
social sector  
classification:**

This operation qualifies as a social equity enhancing project, as described in the indicative targets set forth in the report on the Bank's Eighth Replenishment (document AB-1704). Furthermore, this operation qualifies as a poverty-targeted investment (PTI). The borrower will not be using the 10 percentage points in additional financing (see paragraph 5.37).

**Exceptions to  
Bank policy:**

None

**Procurement:**

The Bank's policy on the procurement of goods, the awarding of contracts for works, and the hiring of consulting services to be financed with loan proceeds will be applied. When Bank funds are used, international competitive bidding will be compulsory for procurements worth US\$2 million and up for works, US\$250,000 and up for goods, and US\$200,000 and up for consulting services. Initially, the Bank will also perform ex ante reviews of all procurement procedures below those thresholds and may change this form of supervision for ex post reviews based on sampling, once the executing agency gains the necessary experience in procurement. The Bank will establish the minimum requisites and set the amounts below which an express nonobjection will not be necessary for the procurement of goods, works and services.